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ECONOMIC SECURITY ACT

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

H. R. 4120

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II

HD 7123

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CONTENTS

| Statements of— | Page |
|---|------|
| Ralph Whitehead, representing the American Federation of Actors, New York City----- | 715 |
| E. W. Mason, representing the Progressive Study Club, Washington, D. C.----- | 722 |
| C. A. Hathway, representing the Communist Party in the United States, New York City----- | 730 |
| Sherwood L. Reeder, representing the United States Conference of Mayors----- | 735 |
| William P. McGervey, Pittsburgh, Pa.----- | 740 |

ECONOMIC SECURITY ACT

SATURDAY, FEBRUARY 2, 1935

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

The committee met at 10 a. m., Hon. Robert L. Doughton (chairman), presiding.

The CHAIRMAN. The committee will be in order.

We will call out of order, at the request of Representative McCormack, a member of the committee, Ralph Whitehead, of New York, representing the American Federation of Actors.

STATEMENT OF RALPH WHITEHEAD, REPRESENTING THE AMERICAN FEDERATION OF ACTORS, NEW YORK CITY

Mr. WHITEHEAD. Mr. Chairman and gentlemen:

The American Federation of Actors is a group with jurisdiction over vaudeville, motion-picture-presentation theaters, clubs, cabarets, and all out-door amusements. Under a charter granted us by the American Federation of Labor, we are functioning in the capacity of an actors' group for the protection of those people. I have the honor to represent them as their executive secretary.

I do not think it is necessary for me to go into any long explanation as to the great suffering that we have experienced not only through the depression but even before the depression on account of this monopoly created by the motion-picture industry. We have found that most of our people were locked out of the theater, and they have suffered immeasurably.

I will not go into too lengthy a discussion of the matter. I am going to read from a short brief that I have prepared here. I am taking the liberty of presenting it as a résumé of the matter as it affects our people; not only actors but all workers whose employment necessitates their being engaged in a migratory manner.

In section 4 of Senate bill 1130, relating to old-age assistance, and so forth, this bill, as introduced by Senator Wagner, provides in section 4, subsection (d), page 4, that State plans for old-age assistance offered for approval shall be approved only if such plans do not deny assistance to any person who, among other things—and I quote from the bill itself—

Has resided in the State for 5 years or more within the 10 years immediately preceding application for assistance.

Actors and actresses, including those who appear in vaudeville, motion-picture-presentation theaters, and outdoor amusement places,

and other classes of entertainers, by the very nature of their work, would be unable to qualify under this provision, because a large proportion of their members are continuously required to travel between cities in one or more States. According to the measure of their success and the consequent demand for their services, they are never in one city or State for a sufficient period of time to qualify under this 5-year residence requirement of the bill.

As a matter of fact, large numbers of our members are, and have been for years, disfranchised completely because they are traveling continuously and either they do not have a permanently established home or, if they do, they are not able to meet the qualifications of States, for example, like New York, where the registration requirement is 1 year for the State, 3 months for the county, and 30 days for the precinct. Voting is permitted by mail, and although this is authorized by statute, yet they must appear in person to register.

This is easily understandable when we consider the number of artists who are either unmarried or whose wives or husbands accompany them on their tours.

I have noted the residence requirements as set out on page 914 of the World Almanac of 1935 and in most part I think the requirements are a 1-year residence in the State, 4 months in the county, and 1 month in the town or voting precinct.

Our members are now more conscious of their voting power than ever before in the history of show business and the requirements for voting, though much less stringent than similar requirements in this bill, have, for years, proved impossible of fulfillment by actors and entertainers required to do a great deal of traveling, because they cannot control the conditions of their employment.

We all, of course, are obliged to follow the itineraries that are laid down by the booking agents and the operators or proprietors of these theaters.

I would like to point out that it is a special hardship on any of us when we are on the road and want to return to the place of our residence for the purpose of voting, because, although we may plan on that—I have done that many times myself—we may have a certain number of weeks already contracted for. We may have decided to come back to New York, and then find that a continuous booking is offered us. Of course, it would be too great a sacrifice to turn that down, especially at a time like this.

So it seems to us that a 5-year period is unduly long and for the benefit of all classes affected might well be reduced to approximately the same period as is now required for voting qualification.

Old people, without adequate subsistence income, are often shunted from pillar to post. For example, I know of many elderly folks who visit from one family to another, because they have not funds of their own. They will go to a son's family, live there a very short time, then visit the sister-in-law or go to the uncle, and so forth and so on. That works a great hardship not only on these older folks, but on those upon whom they are depending for a living.

Approximately 42,000 men and women are employed who are under our jurisdiction and, needless to say, every actor and actress throughout the country is vitally interested in looking forward to their old-age assistance, as contemplated by this humanitarian legislation.

No employees in any field of endeavor work under more trying conditions or are subject to greater mental or physical strain than those of our calling. There are those fortunate few who retain for many years the public favor which results in large incomes, and the terrors of old age mean very little to them. But for the large majority, the rank and file, who no longer have any box-office attraction, it means very, very much. When old age creeps upon us and the public demands new faces, we find it very, very difficult to make a living.

If the scope of the bill is extended so as to give our people the same benefits as employees in other vocations, it will prove of everlasting satisfaction and comfort.

It cannot be questioned that our people devote their lives to bringing pleasure to others, and it is not conceivable that merely because of the migratory nature of their work they should be excluded from the benefits of this great social-security program.

The CHAIRMAN. The time of the gentleman has expired. We are proceeding, as you know, under the 5-minute rule.

Mr. McCORMACK. Mr. Chairman, I ask unanimous consent that the gentleman's time be extended for 3 minutes.

The CHAIRMAN. Without objection, the time of the witness is extended for 3 additional minutes.

Mr. WHITEHEAD. Thank you, sir; I shall get down to the proposed amendment.

This, of course, is not the result of mature thought as to exact language, but as nearly as I can put it.

For the purpose of this act the residence of an actor, actress, public entertainer, or other class of employees engaged in migratory vocations, whose employment requires frequent changes of residence, and who is thereby unable to meet the residence requirements of this paragraph, shall, with the approval of the States concerned, be considered as having resided at the place where the applicant has regularly returned upon completion of his engagement, and has resided until required to travel for the purpose of filling future engagements.

Mr. BUCK. Mr. Chairman, may I ask a question?

I would like to know is you feel there is anything in the proposed bill which is contrary to the sentiments that you have expressed. I have taken out my copy of the bill and looked at the provision to which you have referred. It seems to me, starting on page 3 at the bottom, line 22, the language is entirely negative. It says that a State plan for old-age assistance shall be approved which

at least does not deny assistance to any person who * * *

Has resided in the State for 5 years or more within the 10 years immediately preceding application for assistance; * * *.

The State can go ahead and make more liberal provision, if it wants to. In your proposed amendment you state that it shall be done with the approval of the States concerned.

Mr. WHITEHEAD. The point of the proposed amendment is to make it less stringent, make the residence requirements less stringent. This says 5 years within 10, that is the point.

Mr. BUCK. It says that those people shall not be denied assistance; it does not take away from the State the power to make less stringent those requirements, if it wants to, and that is what I understand your amendment provides, too.

Mr. WHITEHEAD. I make mention of that later in my statement, but I had not come to it. The fact that it says that they shall not

be denied that privilege, I cover later in my statement. But if it is written into the act that the residence requirement shall be 5 years within 10, that absolutely excludes our folks or anyone else who travels.

MR. BUCK. I do not agree with you. My dear friend, I am very sympathetic with your purpose, but the language of the bill does not exclude you, because it simply says that the States shall not deny old-age assistance to anybody who has resided for 5 years, and so forth. It does not say that the State cannot be more liberal than that. It takes in the point that you have raised.

MR. WHITEHEAD. We have thousands of artists who are constantly moving about, and I dare say that they cannot very well establish a 5-year residence anywhere during their entire professional career.

MR. BUCK. Will you tell us what percentage of those are over 65, who might come within the provisions of this bill?

MR. WHITEHEAD. There are very, very few of them, a very small percentage. But there are some. It appears to me that if this is not altered—for instance, if it could be worded their legal domicile, that might make it less stringent. But, as I take it, if we cannot establish a 5-year residence either before or during the time we are traveling about the country, we are not entitled to the relief provided in this legislation.

MR. BUCK. I thought that was what you were leading up to. That is, an amendment that would be positive and instructive to the States, in their legislation. But the amendment that you suggested was "with the approval of the States concerned." That still leaves it in the same position.

MR. McCORMACK. Mr. Chairman, may I say to our colleague, Mr. Buck, that the witness has stated he has not any pride of authorship in the specific language suggested to the committee. He is merely trying to convey the thought he has in mind to the committee. Is that right, Mr. Whitehead?

MR. WHITEHEAD. That is correct. We are not trying to give you the exact language. I am not an attorney. This is merely a suggestion as to what I thought the language might be.

MR. McCORMACK. The suggestion appeals to me, looking at the question from a broader point of view. I realize the power of your argument. I think it is a very constructive suggestion. I think we all feel that. I am sure Mr. Buck does. I am very glad that you have called it to our attention, and we will have it in mind when we come to take up the bill section by section.

There are other people besides actors who may be involved in or affected by this provision, and I think we ought to clarify it so that there will be no doubt of its intent. Take the settlement question. It is a very serious problem in each State—settlements between cities and towns. It is going to be more troublesome between the various States. We ought to clarify that provision with specific language.

MR. BACHARACH. Will the gentleman yield?

MR. McCORMACK. I am glad to yield to the gentleman from New Jersey.

MR. BACHARACH. It seems to me, Mr. Chairman, it would be more proper if we followed the procedure that has been common in this committee of allowing the witness to finish his statement before inter-

rupting him with questions. The gentleman was in the midst of his presentation when he was interrupted.

Mr. McCORMACK. I did not yield to my friend, Mr. Chairman, to receive criticism. We were having a little colloquy, that is all.

Mr. BACHARACH. It is not criticism that I am offering.

Mr. McCORMACK. It is in the nature of criticism. Do you object to the interruption, Mr. Whitehead?

Mr. WHITEHEAD. Not at all; in fact, I appreciate it. I thought that I was making it clear that I was not attempting to offer the exact language in my amendment. As a matter of fact, in presenting this, I am presenting it after a discussion that I had, very briefly, with Senator Wagner on the matter. The Senator thought that it was only fair that something should be done to clarify this particular section of the bill. This is merely offered as a suggestion. If we were allowed additional time to work out better language, I shall be glad to undertake it, if that is the wish of the committee.

The CHAIRMAN. Have you completed your statement?

Mr. WHITEHEAD. Yes, sir.

Mr. COOPER. Mr. Chairman, on the question of residence, I am unable to see how that would disturb the witness so much. Mr. Whitehead, you have a legal residence, I assume, in New York, have you not?

Mr. WHITEHEAD. I have; yes, sir.

Mr. COOPER. All of your people have a legal residence somewhere?

Mr. WHITEHEAD. Yes, sir.

Mr. COOPER. The fact that they may be away working under a contract, for a definite period of time, does not alter the fact that they still have a residence somewhere.

Mr. WHITEHEAD. Of course, they have a residence.

Mr. COOPER. For instance, I have to be away from my home, which is Tennessee, several months each year, serving as a Member of Congress. But my residence remains my home in Tennessee.

The fact that I have to be away in the discharge of duties does not in any way affect my residence there. The fact that you people have to be away for certain periods of time in the performance of other duties does not alter the situation that you have a legal residence wherever you claim it. I am unable to see how that should disturb you people very much.

Mr. WHITEHEAD. The thing is this. Do you think we would be entitled to the protection of this act the way it is worded now, where it says that we are supposed to establish a residence for 5 years within the 10 years immediately preceding application?

Mr. COOPER. Why, certainly. You would have to establish whatever residence your people claimed as their residence. Many traveling men have to be away from their homes three-fourths of the time, perhaps nine-tenths of the time, during the year. They still have a residence, they still have a home, and certainly for the purpose of this act that is recognized as their residence. The fact that somebody has to be away temporarily or periodically does not militate against his interest, so far as the purposes of this act are concerned.

The CHAIRMAN. My understanding is that the matter of residence is a matter of intent. Every man knows where he intends to live, what he regards as his residence. That is recognized, as I understand, in the exercise of the franchise. If it were not, a man who

had to travel could not vote anywhere. I do not think you would have any trouble with this bill, Mr. Whitehead, as you seem to anticipate.

Mr. McCORMACK. Mr. Chairman, the gentleman's argument appealed to me from the broader viewpoint. Suppose I had been in Massachusetts for 30 years and had reached the age of 60. Suppose I moved to New York. With the chairman I agree that it is a question of intent, and I agree also with everything that the gentleman from Tennessee has said. A person must intend permanently to divest himself of residence in a particular State to move from that State. But suppose I move to New York with my family. I move there because employment is offered me. I am 60 years old. I might stay in New York only 6 months but I have the permanent intent to live in New York. I assumed, in other words, that the job offered was going to last for some time. For some reason or other it does not. That is a different case from the case of a man who is a traveling salesman, for instance.

Mr. COOPER. Will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. COOPER. All you would have to do is to go back to Massachusetts.

Mr. VINSON. But he might have lost his residence in Massachusetts.

Mr. COOPER. No. If you have a residence in Massachusetts or had had a residence in Massachusetts for 5 years within the 10 years immediately preceding the application, that is your residence.

Mr. VINSON. But if you move out for 6 months, as instanced by the gentleman from Massachusetts, you break the continuity of your residence. But here is the point that I wish to make, and that is the question of the burden on the State. If the gentleman were living in New York, and had been there for 35 years or 30 years, as my friend, Mr. McCormack states, and then moved to Massachusetts just 6 months before he becomes 65 years of age, Massachusetts might not want to accept that burden. It is a taxpayers' problem. Massachusetts would not want to accept the burden of taking care of this party who had just come into her State 6 months prior to the age at which he would become eligible to the benefits under the State act.

If there were not such a requirement of 5 years, and if some States, for instance, Massachusetts, were allowing a benefit of \$40 a month while New York were allowing a benefit of \$30 a month, you would find folks traveling across the State line from New York to Massachusetts, where they would get a more substantial benefit.

So, looking at it from the standpoint of the burden on the State, you have to have some sort of fair and reasonable period of residence specifically provided.

Mr. McCORMACK. Will the gentleman yield there?

Mr. VINSON. Yes.

Mr. McCORMACK. I agree with you, but my thought was simply this. I was expressing agreement with the gentleman, speaking on my feet, as it were, in that case where each State had their own law. But now we are passing a Federal law. What about the person who went from New York to Massachusetts, or vice versa? When they reach 65 years of age, they say, "Why, here is a Federal law and we are denied the benefits of it."

Mr. VINSON. No; this Federal law, as I see it, simply puts a limitation upon the law that will be drafted in the States. The gentleman from Massachusetts will not contend that it is fair for the taxpayers of Massachusetts, who are providing a more liberal benefit to their own residents, to have to take care of an influx from other States of the Union that are providing lesser benefits. It is not fair to the taxpayers of Massachusetts.

Mr. McCORMACK. The gentleman from Massachusetts has not said that. The gentleman is making his statement based upon an incorrect premise. What I did say was that where you have a Federal-aid law and there is a group of persons excluded, that group of persons naturally are going to ask, "Well, where do we get these old-age pension benefits?"

Mr. VINSON. Just as an example, Ohio has a 15-year residence requirement. That is in conformity with this Federal law proposed; that is, any period over 5 years. If Massachusetts has a 5-year residence requirement, with larger benefits offered, what is to keep all of the aged from Ohio from emigrating to Massachusetts? It is a good place to go, anyhow.

Mr. WHITEHEAD. On the other hand, it is taxation without representation, because our people are all required to pay the tax.

Mr. VINSON. Oh, no; there is nothing in that argument. Certainly they have a residence somewhere. There is no question about that. They might have a residence that would permit them to receive these benefits in Massachusetts or in Ohio, but if they have a residence in Massachusetts, under the State law, they will get the benefits provided under that law.

Mr. WHITEHEAD. We have thousands of members of our profession who are shifting about constantly. I dare say they would find it very difficult to establish a permanent residence anywhere. There are people among the rank and file of our profession who sometimes do not remain in one town more than 2 or 3 months, perhaps not that long. They will go to one section of the country—I am talking about the variety actor now—he goes, for example, to Boston. He will remain there just so long as he can exhaust the few weeks that can be played around there. Then he moves on to Detroit, Mich., or he goes to New York. They are constantly on the go. It seems to me that if this section of the bill is not clarified, those people may be deprived of the benefits proposed in the legislation.

The CHAIRMAN. In your opinion, if a person has never given sufficient thought to a State to take up a permanent residence in it, and to become a taxpayer, if he does not recognize it to be of some value to be associated with the State as a resident, should he be entitled to any consideration on the part of the State?

Mr. WHITEHEAD. If they are paying a tax, it does seem to me that they are entitled to some benefit on account of it.

The CHAIRMAN. They would not be paying a tax unless they had a residence there, unless they thought enough of the State to identify themselves with it, as a resident of it. Why should they claim benefits under any State law, if they do not do that?

Mr. REED. Mr. Chairman, I was just going to say that the courts have held that it is a matter of intention. A man can wander all over the globe, but yet establish a residence. That is recognized by the courts.

The CHAIRMAN. That is the point that the Chair raised a few moments ago.

Mr. WHITEHEAD. I should like to call your attention to the fact that you have been optimistic about our people being property owners anywhere. The great majority of them are fortunate to own the clothes they have on their back.

Mr. VINSON. Then they will not have very much of a tax burden.

Mr. WHITEHEAD. It works both ways, of course.

The CHAIRMAN. If there are no further questions, Mr. Whitehead, we thank you for the information you have given the committee.

Mr. REED. Mr. Chairman, the advisory council, which reported to or advised with the Cabinet committee in this investigation on economic security, made a report to them in writing. This advisory council was composed of some of the leading industrialists of the country. So far as I know that report has not been made available. Perhaps other members of the committee have had a copy of that report to the Cabinet committee. I believe, in view of the fact that they have made a report and expressed their views in it, and made their recommendations in it, we ought to be in a position to know how far those recommendations have been accepted by the Cabinet committee. This committee of ours ought to have the benefit of that information.

Mr. LEWIS. Will the gentleman yield for a question?

Mr. REED. Yes.

Mr. LEWIS. To what extent does that report indicate facts as distinguished from opinions and conclusions.

Mr. REED. I do not have a copy of the report. I say that the committee ought to have a copy of it, to understand what they did report. I am just calling that to the attention of the chairman because, when we get into our own deliberations, we ought to have that information before us.

The CHAIRMAN. Without objection, the clerk will be directed to request that copies of the report referred to be furnished members of the committee.

The CHAIRMAN. The next witness is E. W. Mason, representing the Progressive Study Club, Washington, D. C.

Mr. Mason, we are operating under the 5-minute rule. Please come forward and give your name and address and the capacity in which you appear.

STATEMENT OF E. W. MASON, REPRESENTING THE PROGRESSIVE STUDY CLUB, WASHINGTON, D. C.

Mr. MASON. Mr. Chairman and gentlemen, my name is E. W. Mason and I represent the Progressive Study Club, Washington, D. C.

Listening to those who preceded me, I noticed that almost all of them represented several millions of people in a group. I must confess to you that I do not represent several millions. I have been researching here in the Library in Washington on the subject of money, depressions, bonds, and bondage, and kindred questions, and this book, "The Internal Debts of the United States", represents 1,186 books that I have read on these questions. I believe that I have information that no one else will bring you, and when I originally asked for permission to speak, I asked for 30 minutes. My material here, however, will not take that much time.

The old-age pensions in all States require the pauper's oath. I plead with you men to change that proposed law and make it an honor pension system of a pauper system. Honor the men who paid the Government taxes and pay you your salaries or pensions. The men who need—those who in active life spent their income are your best citizens. They spent their all to maintain themselves, the wealthy people, and the Government. The wealthy fattened on them; first, because they spent their pay envelopes; second, because they never were paid all they earned—a part of their pay envelopes was held back. The Government has an unseen way of collecting taxes on what we consume, so these poor have been the best supporters of Government and should be honored for it. Had these men saved say 10 percent of their earnings for a rainy day or old age, they would throw 5 to 10 percent of the population out of work by that very act of so-called "thrift" and these in turn would throw others out of work and a vicious circle would have begun. In other words, if all saved 10 percent, even in our most prosperous times, it would throw a depression in less than 10 years. The pension should be based on age and no other condition. The needy will never be reached except by a pension to all regardless of wealth or poverty.

The economics of Jesus in His own words were: "Take no heed for the morrow." He envisioned an ideal government where there would be no rainy days, no depressions, no hard times, and no unemployment—and there should be none—and no interest—and there should be none.

When Henry Ford returned from one of his trips to Florida it is said he noticed his corporation were putting up great signs: "Buy a Ford and save the difference." As soon as he arrived at the office he called for the writer of the sign and copy. He took his pencil and struck out the word "save" and wrote in the word "spend", making it read: "Buy a Ford and spend the difference." The young man was given a lecture on economics to the effect that hard times are broken by spending, not by saving.

Even ex-President Coolidge in one of his newspaper articles recommended that we spend a dollar to break the panic.

I protest against the method of collecting the fund. To all intents and purposes the bill demands that the poor shall take care of their own poor, while between the lines is written the suggestion, "We have already taken care of the rich by interest on bonds to be paid by the poor in bondage." I ask that the bill be changed to have the National Government pay the whole pension and collect the necessary money by a tax without a burden.

By research, governmental and otherwise, it has been decided that approximately \$2,000 represents a good living for a family. Then collect an income tax figured by arithmetical progression to 100 percent on all incomes above \$2,000. Everyone would then be protected in a good living—after that there is no burden. Really, I can see no reason why any rich man should have over a thousand dollars a week income before every worker and farmer receives \$40 a week, or \$2,000 a year.

That will raise all the money needed and no one will be burdened. Be sure to extend the tax to 100 percent, however.

All present taxes are consumers' taxes. The more in the family, the more tax. Simply a baby tax—the more babies the more tax. All wrong.

Take my native State, if you please. If its legislation follows out the trend of this bill, it will parcel out the burden of old-age pension to the counties. Many of the counties are now in desperate circumstances. That is the philosophy of J. P. Morgan. In his first radio address he advocated that each block look after its own poor—then no one would suffer. Today 70 percent of the Upper Peninsula of Michigan, I understand, are on relief. How can they care for their own poor? A spot that has made fabulous millions of wealth for the New York stockholders—the men who made the millions for the New York men must now bear their own burden, while the rich New Yorkers who benefited are caring for the poor in their own block. What a grim joke! You must tax the incomes and by arithmetical progression to 100 percent if you want to avoid utter destruction.

In one township 63 percent of the real estate was up for sale for taxes one year and bought in by the State. That real estate now is State forest and the fixed expenses of that county and township are constant until a township is wiped out. The assessable burden is thrown on other townships and one by one they fall out of the tax roll; the country once filled with happy homes and people become barren wilderness. This continues until now one-third of the State of Michigan has been taken in by the State for taxes. This bill contemplates taking more of that State for taxes. More of every State of the poorer classes. Near my former home is a mute pile of sawdust bigger than this office building—nay more; as big and as high as both office buildings put together, and the untold wealth which that pile implies went to the large cities and only poverty now remains.

Send, I plead with your honorable committee, to the great incomes of the Nation and bring a part of that money back to care for the aged who amassed that pile of sawdust and the pile of wealth that their brain and brawn created. Not an automobile drives the street or roadways of the Nation, not a building with modern conveniences is completed, which does not carry in its structure the products of the workers of the Upper Peninsula of Michigan. I cannot look around this building without seeing the result of their labors. I cannot go to the homes of the millionaires, as I frequently do, without seeing the products of their labor on every hand, yet today 70 percent of these laborers are on relief. Almost every red cent of the profits of their toil has slipped away to the great wealth center of the Nation and now this bill says, "Let the poor of the Upper Peninsula of Michigan care for their own poor." Robbed of their wealth and the products of their own toil the robbers now herald back and this bill takes the echo and cries, "Look after the poor in your own block; we down here in Wall Street are looking after ours." I am asking that this old-age pension system your honorable body passes should be one that will collect from those blocks that have no poor some of the amassed fortune and redistribute it back to society again.

To tax the corporations is but to sell the tax back to the poor and at a profit.

The millions and billions of fortunes are invariably amassed by special privilege of some kind, rarely by unusual intelligence, except selfish intelligence.

Four percent of the population control 80 percent of the wealth. I suggest a tax on incomes and inheritances figured by arithmetical progression as the plan to raise substantially the money for the pension system and all cost of Government. I herewith submit a table as to the workout of this plan of a tax without a burden.

(The matter referred to is as follows:)

Tables of proposed inheritance and income taxes

| Inheritance or income to be taxed | 1-percent rate | | 2-percent rate | | 3-percent rate | | 5-percent rate | |
|-----------------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|--------------------------|
| | Deducting the tax | Leaves to the individual | Deducting the tax | Leaves to the individual | Deducting the tax | Leaves to the individual | Deducting the tax | Leaves to the individual |
| \$2,000 | 0 | \$2,000 | 0 | \$2,000 | 0 | \$2,000 | 0 | \$2,000 |
| \$3,000 | \$10 | 2,990 | \$20 | 2,980 | \$30 | 2,970 | \$50 | 2,950 |
| \$4,000 | 30 | 3,970 | 60 | 3,940 | 90 | 3,910 | 150 | 3,850 |
| \$5,000 | 60 | 4,940 | 120 | 4,880 | 180 | 4,820 | 300 | 4,700 |
| \$6,000 | 100 | 5,900 | 200 | 5,800 | 300 | 5,700 | 500 | 5,500 |
| \$7,000 | 150 | 6,850 | 300 | 6,700 | 450 | 6,550 | 750 | 6,250 |
| \$8,000 | 210 | 7,790 | 420 | 7,580 | 630 | 7,370 | 1,050 | 6,950 |
| \$9,000 | 280 | 8,720 | 560 | 8,440 | 840 | 8,160 | 1,400 | 7,600 |
| \$10,000 | 360 | 9,740 | 720 | 9,280 | 1,080 | 8,920 | 1,800 | 8,200 |
| \$11,000 | 450 | 10,550 | 900 | 10,100 | 1,350 | 9,650 | 2,250 | 8,750 |
| \$12,000 | 550 | 11,450 | 1,100 | 10,900 | 1,650 | 10,350 | 2,750 | 9,250 |
| \$13,000 | 660 | 12,340 | 1,320 | 11,680 | 1,980 | 11,020 | 3,300 | 9,700 |
| \$14,000 | 780 | 13,220 | 1,560 | 12,440 | 2,340 | 11,660 | 3,900 | 10,100 |
| \$15,000 | 910 | 14,090 | 1,820 | 13,180 | 2,730 | 12,270 | 4,550 | 10,450 |
| \$16,000 | 1,050 | 14,950 | 2,100 | 13,900 | 3,150 | 12,850 | 5,250 | 10,750 |
| \$17,000 | 1,200 | 15,800 | 2,400 | 14,600 | 3,600 | 13,400 | 6,000 | 11,000 |
| \$18,000 | 1,360 | 16,640 | 2,720 | 15,280 | 4,080 | 13,920 | 6,800 | 11,200 |
| \$19,000 | 1,530 | 17,470 | 3,060 | 15,940 | 4,590 | 14,410 | 7,650 | 11,350 |
| \$20,000 | 1,710 | 18,290 | 3,420 | 16,580 | 5,130 | 14,870 | 8,550 | 11,450 |
| \$21,000 | 1,900 | 19,100 | 3,800 | 17,200 | 5,700 | 15,300 | 9,500 | 11,500 |
| \$22,000 | 2,100 | 19,900 | 4,200 | 17,800 | 6,300 | 15,700 | | |
| \$23,000 | 2,310 | 20,690 | 4,620 | 18,380 | 6,930 | 16,070 | | |
| \$24,000 | 2,530 | 21,470 | 5,060 | 18,940 | 7,590 | 16,410 | | |
| \$25,000 | 2,760 | 22,240 | 5,520 | 19,480 | 8,280 | 16,720 | | |
| \$26,000 | 3,000 | 23,000 | 6,000 | 20,000 | 9,000 | 17,000 | | |
| \$27,000 | 3,250 | 23,750 | 6,500 | 20,500 | 9,750 | 17,250 | | |
| \$28,000 | 3,510 | 24,490 | 7,020 | 20,980 | 10,530 | 17,470 | | |
| \$29,000 | 3,780 | 25,220 | 7,560 | 21,440 | 11,340 | 17,660 | | |
| \$30,000 | 4,060 | 25,940 | 8,120 | 21,880 | 12,180 | 17,820 | | |
| \$31,000 | 4,350 | 26,650 | 8,700 | 22,300 | 13,050 | 17,950 | | |
| \$32,000 | 4,650 | 27,350 | 9,300 | 22,700 | 13,950 | 18,050 | | |
| \$33,000 | 4,960 | 28,040 | 9,920 | 23,080 | 14,880 | 18,120 | | |
| \$34,000 | 5,280 | 28,720 | 10,560 | 23,440 | 15,840 | 18,160 | | |
| \$35,000 | 5,610 | 29,390 | 11,220 | 23,780 | 16,830 | 18,170 | | |
| \$36,000 | 5,950 | 30,050 | 11,900 | 24,100 | | | | |
| \$37,000 | 6,300 | 30,700 | 12,600 | 24,400 | | | | |
| \$38,000 | 6,660 | 31,400 | 13,320 | 24,680 | | | | |
| \$39,000 | 7,030 | 31,970 | 14,060 | 24,940 | | | | |
| \$40,000 | 7,410 | 32,590 | 14,820 | 25,180 | | | | |
| \$50,000 | 11,760 | 38,240 | 23,520 | 26,480 | | | | |
| \$51,000 | 12,250 | 38,750 | 24,500 | 26,500 | | | | |
| \$52,000 | 12,750 | 39,250 | | | | | | |
| \$53,000 | 13,260 | 39,740 | | | | | | |
| \$75,000 | 27,010 | 47,990 | | | | | | |
| \$100,000 | 48,510 | 51,490 | | | | | | |
| \$101,000 | 49,500 | 51,500 | | | | | | |

¹ Largest net income possible, as the Government would take 100 percent of all above these figures.

The most vicious part of the bill is the interest or insurance feature. This bill practically compels every young person to take out a 45-pay life-insurance policy.

An individual here and there can take out an endowment policy and pay money into the corporation and the company pass the hat to the rest of the citizens, and from the collection it can pay the insurance; but when every man and woman pays their own insurance it will not work.

Now with a little help from two or three in the audience I could jump over the sacred rail and be in the sanctuary of your honorable committee but if every one here should step up to that bar and try to put himself over by his bootstraps no one would go over—for the

simple reason that insurance which is predicated by interest or investment is a mathematical impossibility. No one can figure interest to its end without extinction of the interest payer. No nation can long exist on interest. Because of the interest burden this bill implies it can never be worked for long. Let me illustrate:

If one of your honorable body should, on his vacation next summer, discover a new continent and decide to invite all his 20 colleagues of this committee to start a new nation there, you would have enough of everything needful except money. A wonderful country in natural resources and possibilities and you come to me as a banker and ask for a circulating medium for your new country. I would agree to furnish each of you with one thousand dollars in new, crisp, paper money and take your several notes for 1 year at 6 percent. I lend you a total of \$20,000, face value. At the end of the year I return for \$21,200 and you cannot furnish it. Why? Because there are only \$20,000 in your country. So you have to give me a mortgage on the continent and I lend you your paper money for another year, and so forth. Soon I will own the continent.

Had Christopher Columbus put a mortgage for \$1 on the North American continent the day of its discovery, at compound 6-percent interest, the whole continent, including Mexico, Central America, Panama, and Canada would not equal the face value of the mortgage in 1948.

Interest steals from society and eats up the wealth and prosperity of nations. It is simply impossible to continue it for more than a few years without a national financial break-down.

To illustrate how the cancerous growth of interest works its destruction a table is here given that shows the growth to date of a single dollar if loaned, at the discovery of America by Columbus, at 6-percent interest compounded annually, viz:

| | | | |
|------|-------------|------|------------------------|
| 1493 | 1. 06 | 1672 | 32, 969. 72 |
| 1494 | 1. 12 | 1684 | 65, 939. 45 |
| 1495 | 1. 19 | 1696 | 131, 878. 91 |
| 1496 | 1. 26 | 1708 | 263, 757. 82 |
| 1497 | 1. 33 | 1720 | 527, 515. 64 |
| 1498 | 1. 41 | 1732 | 1, 055, 031. 29 |
| 1499 | 1. 50 | 1744 | 2, 110, 062. 58 |
| 1500 | 1. 59 | 1756 | 4, 220, 125. 16 |
| 1501 | 1. 68 | 1768 | 8, 440, 250. 32 |
| 1502 | 1. 79 | 1780 | 16, 880, 500. 65 |
| 1503 | 1. 89 | 1792 | 33, 761, 001. 31 |
| 1504 | 2. 01 | 1804 | 67, 522, 002. 62 |
| 1516 | 4. 02 | 1816 | 135, 044, 005. 24 |
| 1528 | 8. 04 | 1828 | 270, 088, 010. 49 |
| 1540 | 16. 09 | 1840 | 540, 176, 020. 98 |
| 1552 | 32. 19 | 1852 | 1, 080, 352, 041. 96 |
| 1564 | 64. 39 | 1864 | 2, 160, 704, 083. 92 |
| 1576 | 128. 78 | 1876 | 4, 321, 408, 167. 85 |
| 1588 | 257. 57 | 1888 | 8, 642, 816, 335. 71 |
| 1600 | 515. 15 | 1900 | 17, 285, 632, 671. 42 |
| 1612 | 1, 030. 30 | 1912 | 34, 571, 265, 342. 84 |
| 1624 | 2, 060. 60 | 1924 | 69, 142, 530, 685. 68 |
| 1636 | 4, 121. 21 | 1933 | 121, 090, 955, 417. 24 |
| 1648 | 8, 242. 42 | 1936 | 188, 285, 061, 371. 36 |
| 1660 | 16, 484. 86 | 1948 | 276, 570, 122, 742. 72 |

More than enough to own by foreclosure the whole of the U. S. A.

Just as a cancer grows in the human body—until it absorbs all within its grasp and kills its victim—so grows the cancer of interest in a nation.

One dollar in gold lent out at 6-percent interest at the birth of Jesus in the year 1, compounded annually, would by the year 1936 have "grown" to the impossible sum of 6 quindecillions 913 quatuordecillions 170 tredecillions 171 duodecillions 192 undecillions 611 decillions 82 nondecillions 296 octillions 286 septillions 188 sextillions 809 quintillions 244 quadrillions 72 trillions 412 billions 553 thousands 729 dollars. If the earth were a solid globe of gold, you could not pay it. If all the planets were solid gold, they would not represent enough value to pay it.

We are now in debt over 250 billions against 150 billions of wealth—100 billions in the red and our new bonds will take us to 265 billions. Over 15 billion interest per year.

Last year we produced 40 billions of wealth and have an interest of 15 billions to pay.

If you buy a suit of clothes for \$36, over \$12 is interest. If you buy \$3 worth of groceries, over \$1 is interest. Figure up your purchases of fabricated merchandise, transportation, or ordinary expenses, and one-third is interest, yet this bill contemplates interest and more interest. It will not work. The 33-percent interest in all fabricated merchandise will be 66 percent in 15 years, and 100 percent in 25 years. Somewhere between 1935 and 1960, if the interest system persists, society crashes and civilization ends and a new "dark age" is at hand. So I plead with your honorable body not to predicate an old-age pension on interest. Remember, interest is a mathematical impossibility.

Now, about the stamps, pills, and plasters provided for in the bill. What happens if everybody does not stamp up? Everybody does not buy life insurance now. What happens to the fellow who goes for groceries and stamps and has not enough for eats? He buys eats.

Economically it would be much better and cheaper for society to pay a straight pension, man fashion, after 62 or some other date, than monkey stamp fashion. If a man holds money for old age, he does not spend and he slows up the works.

It will cost no more for the vigorous youth to care for all the aged of today, and let the oncoming boys of today take care of the vigorous manhood in its decline tomorrow. Think of the saving in plasters and to stamp collectors. For an honor old-age pension I will ever pray.

Now for unemployment insurance. Unemployment insurance first contemplates idleness. No one can get pay unless he is idle. Not half the people could get insured except on a life insurance basis of stamps, pills, plasters, and interest, of which I have previously mentioned. The bill contemplates ultimately to tax the laborer $2\frac{1}{2}$ percent of his salary.

Let us see what that will do to the laborer. I will illustrate by this diagram which represents all the wages paid out in the United States. Section A represents 20 percent of the worker's salary which goes to taxes. Section B represents that portion of his income that is paid for interest. C will represent $2\frac{1}{2}$ percent which he pays for insurance. If he pays $2\frac{1}{2}$ percent for insurance, he will not spend that $2\frac{1}{2}$ percent for the products of labor. That would flatly put $2\frac{1}{2}$ percent of the people out of work, for if the workers of the Nation who received and spent about ten billions for merchandise last year

have only \$9,800,000,000 to spend this year, they will throw that portion of men out of work who live upon that \$200,000 expenditure.

The line D represents that portion which the employers put into the fund. He will charge this \$200,000 up to overhead, and if a good business man, will sell it at a profit to the consumer. The consumer pays more for his merchandise and therefore can buy less labor. That will throw more than $2\frac{1}{2}$ percent out of work.

Now comes the Government's aid of $2\frac{1}{2}$ percent. That will increase the taxes and the price of merchandise and throw another group of people out of work equal to $2\frac{1}{2}$ percent.

Let us forget the fractions. The first turn of the wheel we throw 6 percent of the workers out of business, say. They begin to draw one-fourth of their former salary by insurance and that money will put back $1\frac{1}{2}$ percent of those who lost their jobs. That is, at the first complete turn of the wheel, $4\frac{1}{2}$ percent of the working population are idle. As only 95.5 percent of the purchasing power of the people is available, the second turn of the wheel gives us 91.2 percent of the people working the second turn of the wheel. Each turn of the wheel to zero is made by multiplying the product by 95.5 percent. As interest and taxes now take half, zero is quickly reached:

| | |
|-------------|------|
| First time | 9.55 |
| Second time | 9.12 |
| Third time | 8.69 |
| Fourth time | 8.29 |
| Fifth time | 7.9 |

And so forth and to zero.

Here is a spiral that shows the vicious circle. That is unemployment insurance.

Again that unworkable foolish product of a hair-brained "brain truster", I want to ask your honorable body to substitute labor assurance as the policy of the Nation.

This is embodied in a bill introduced into last Congress, and re-introduced into this session by the Honorable George G. Sadowski. That bill provides that any person of workable age that wants work can have it. It provides that the idle be given a chance to create the wealth with which they are to be fed and clothed, and without a burden to anyone.

The mechanics of that bill provides the Government set up an employment bureau in every county and large center of the United States, and any citizen who goes to that bureau, and wanting work, can have it—at private industries if possible—if not, at governmental emergency work at a price low enough not to compete with private industry, yet high enough to standardize and stabilize common or unskilled labor at \$1 per hour, leaving skilled, hazardous, and undesirable to go at higher rates as volume decides.

The work-out of the bill would be that every man out of work could be put on a pay roll as fast as they could be enrolled.

The bill provides that it is the first duty of government to see that its citizens have work to the end that life, liberty, and the pursuit of happiness be preserved. For any that demand it, they shall be put on a pay roll in 48 hours after the application. What would happen to starving North Dakota? They would go off relief and go to work, and their starving horses would be fed up and put at work. The same would be true in Michigan, and in every place in the United States.

Everybody would go to work, and when the first pay day came the stores would empty and orders would go to the wholesalers, and from wholesalers to factories, and signs would go up all over this land, "Help wanted." In Dakota and Ohio and Nebraska a thousand dams could be built in each of these States to make electricity and bring its price down, so the greatest cost in a home heated, lighted, and given power would be meter reading, transportation, and bookkeeping. The electricity itself and alone could be furnished for around a tenth of a cent per kilowatt-hour. This could be duplicated in every State.

This bill provides a method of securing the money without bonds or inflation.

The water-power suggestion only covers one of a hundred things that could be done to create more wealth to enjoy. Think of the recreation districts 10,000 dams and resultant artificial lakes would give. Think of the fishing, bathing, and home sites it would produce.

Of course, it would break the monopoly that the Honorable Woodruff has of having barefooted bathing beauties of central United States camping in the desert and semidesert areas of his district in Michigan, my Michigan.

Forests, parks, roads, public buildings, all could be made by this idea.

The idle men want work, not charity or insurance. The Sadowski bill would give them work. There could be no unemployment. There could be no tramps or beggars, except where age or physical handicaps come in, for every man would have work.

I have just two brief matters I would like to present, Mr. Chairman.

The CHAIRMAN. How long would you require?

Mr. MASON. Five minutes.

The CHAIRMAN. The Chair does not have the authority to extend the time unless it is requested by a member of the committee.

Mr. BACHARACH. I move the gentleman's time be extended.

The CHAIRMAN. Mr. Bacharach asks unanimous consent that the gentleman's time be extended 5 minutes. Without objection, you may proceed.

Mr. MASON. Thank you. I wish to discuss two charts that I have here on the subject of unemployment insurance. This blank (indicating on chart) shows the total wealth paid the laborers of the Nation in a week. This bottom half represents what is taken out of the laborers each week for taxes and interest; 33 cents of every dollar of what they spend in the store is interest, and 20 percent of it is taxes.

The system of unemployment insurance provides that 2 percent, let us say, is charged the laborer, 2 percent the employer, and 2 percent the Government. If that were done, when you deduct the 2 percent from the laboring man, he buys 2 percent less of goods, and throws 2 percent of the population of the country out of employment.

You start here [indicating on chart] with your line of employment and when those unemployed buy less, you add another line and another, and unemployment insurance, if carried to its logical end, would wipe out all industry and all labor.

This little chart here shows how the vicious circle would start. This represents your money [indicating]. You start here, and it grows less and less, until you get to zero. There is no way to figure out unemployment insurance without throwing every man out of work. It will not figure out. It is a mathematical impossibility.

Mr. WOODRUFF. Mr. Chairman, I should like to ask the witness a question. I am sorry that I missed nearly all of your previous discussion of this subject. But is it your opinion that we are bound to have periods of unemployment in this country?

Mr. MASON. We will have them unless we change the system. Unemployment today is caused by two things. When you lay a dollar down on the counter for a dollar's worth of fabricated merchandise, as that dollar travels around the table, at the end of the line it will not hire another man to do the work. The interest taker takes 33 percent out of every dollar of expenditure. They take \$12 out of \$36 spent for clothes, which will not allow you, when you buy a suit of clothes, to hire another man to take your place. Of course, this particular panic we are in now was a premeditated affair. Every panic in history was. I have read the story of over a hundred panics, and every one was premeditated, it was intended to put people out of work and rob many of our citizens of the wealth that they created.

The CHAIRMAN. If there are no further questions, we thank you for the information you have given the committee.

The next witness is C. A. Hathway, New York, representing the Communist Party in the United States.

STATEMENT OF C. A. HATHWAY, REPRESENTING THE COMMUNIST PARTY IN THE UNITED STATES, NEW YORK CITY

Mr. HATHWAY. Mr. Chairman and gentlemen, my name is C. A. Hathway, 50 East Thirteenth Street, New York City, representing the Communist Party in the United States.

The CHAIRMAN. We are proceeding under the 5-minute rule, Mr. Hathway, but your time may be extended by unanimous consent of the committee.

Mr. HATHWAY. I will make the statement of our position brief and to the point.

The Communist Party is opposed in toto to the administration's economic-security bill as introduced by Senator Wagner and to its underlying provisions. We do not believe that this bill can be amended in the interests of the workers.

The Communist Party counterposes to this and urges the adoption of the workers' unemployment, old-age, and social-insurance bill, H. R. 2827.

In our opinion, the Wagner bill is not designed to provide social security for the masses of the people. In our opinion this bill is designed, rather, to provide security for the rich who dominate the country.

The aims of the sponsors of the Wagner bill, in our opinion, are, first, to quiet the masses who are today increasingly expressing their discontent with the crisis conditions that exist by offering them a sham measure that will give them in reality nothing.

Secondly, the sponsors see in this the possibility of lowering the cost of caring for the millions of unemployed in the country today;

and, thirdly, by lowering the cost of caring for the unemployed the sponsors of the bill see the possibility in this of lowering the living standards of the American people as a whole, in order to increase the profits of the rich.

Specifically, the theory that each State should insist on its own law in relation to unemployment insurance is a negation of all effective social-insurance legislation.

In the first place, if one waits for the States, each one, to adopt an unemployment-insurance bill, the workers of the United States will be running around for the next 20 years waiting for unemployment insurance, as they have waited for all other forms of social legislation.

This bill will not serve quickly to give to the millions of unemployed real unemployment insurance.

Secondly, the basing of insurance on the States will involve the problem of residence not only for actors, as was pointed out by a previous speaker, but for literally millions of workers, because workers, particularly in periods of unsettled industrial conditions, move from one city to another in a desperate hope of finding jobs. You will find one worker after another barred from the unemployment features of the legislation as well as from the old-age feature, by the simple process of being compelled to move from one city to another in search of work.

A simple example: An automobile worker in Toledo thinks that there is a possibility of a job in Detroit. He packs up and leaves Toledo, goes to Detroit, and, in doing so, he cancels both his opportunity to get unemployment insurance and also the possibility of getting old-age insurance.

Secondly, the unemployment-reserves theory that is embodied in all administration proposals is unsound. The reserves theory eliminates the 15 or 16 million who are now unemployed from any consideration under an unemployment-insurance scheme that is adopted. It would only apply, at best, to those workers who are now employed in a factory, or who are employed after the system goes into effect. Even those would only benefit providing reserves were built up on a plant basis, providing they had been employed in the plant for a definite period of time, providing they had contributed toward the building up of these reserves, and a whole series of other factors.

So the effect would be that only a very small number of workers out of the total working population of the country would ever benefit from an unemployment-reserves system brought forward as a substitute for insurance.

Thirdly, the old-age pension proposals contained in the Wagner bill, starting at 65 and limited to \$7 a week, are a joke to the millions of workers who are today being thrown out of American industry in the most ruthless manner as soon as they reach the age of 50. Throughout the mass-production industries a worker at 50 can no longer hold a job. He is thrown out. But he has to wait 15 years before he is included in a scheme such as this, and even then he is limited to a very small amount each week, \$7, unless the States make other provision.

Finally, the graduated-tax theory, as contained in the Wagner proposal, is an evasion of the fundamental problems with which the Government is now confronted in caring for the unemployed.

In the first place, the tax is too small. The tax will not provide for the demands that will be made by the unemployed and that will continue for a long period of time.

Secondly, the fact that the application of the full tax is conditional on an improvement in industrial conditions is also a negation of the whole problem of caring for the unemployed, because precisely when there is a crisis, when the unemployed is at the largest number, when the greatest amount of money is needed to care for the unemployed, then the tax is only partially applied, and the full tax is held in abeyance until conditions improve.

For these and many other reasons that might be stated, the Communist Party is opposed to the underlying theory back of this bill, and we propose that the workers' bill, H. R. 2827, be substituted for this and adopted in the present session of Congress.

The CHAIRMAN. The time of the gentleman has expired.

Mr. McCORMACK. I ask unanimous consent that the witness' time be extended 2 additional minutes.

The CHAIRMAN. Without objection, the witness may proceed for 2 minutes.

Mr. HATHWAY. Briefly, to state the principles of the workers' bill, as distinct from that of the Wagner bill:

This provides payment to all unemployed workers without any waiting period, basing itself on the theory that the welfare of the people is the first consideration and that, regardless of how long a worker may have been unemployed, regardless of residential requirements, regardless of his contact or attachment to one or another factory or industry, this worker is entitled to unemployment insurance inasmuch as he is not responsible for the fact that he is unemployed. He is ready and anxious to take a job. He has no job only because industry is unwilling to give him a job, with the profit motive the determining factor in employment at the present time.

Secondly, the workers' bill provides for caring for all unemployed workers entirely at the expense of those who can afford to pay, those who are responsible for the industrial system in America. We propose, in short, to tax the bankers, the manufacturers, et cetera, and they, together with the Government, assume full responsibility for the care of the unemployed.

Thirdly, the workers' bill provides for full average wages for the workers with a minimum of \$10 to any unemployed worker, and an additional amount for workers with dependents.

Finally, the workers' bill, as distinct from the Wagner bill, provides for the administration of unemployment insurance by the workers themselves, through the workers' organizations, through the trade unions, et cetera, the only sound principle on which unemployment insurance can be administered for the benefit of the workers.

Mr. VINSON. Do you have any tax features in the workers' bill?

Mr. HATHWAY. Yes; the tax features in this embody direct taxes on the rich, and the specific amounts you can get by looking at the bill.

Mr. VINSON. How do you arrive at your figure of \$7 a week for old-age pensions under the bill that we are considering?

Mr. HATHWAY. It proposes that the Federal Government shall provide to the States an amount of \$3.50 a week and that this shall be matched, dollar for dollar, by the States, giving, of course, to the State, the opportunity, if they wish, to grant an additional amount.

Mr. VINSON. How do you arrive, under any condition, at that figure? How do you arrive at your conclusion that the bill under consideration provides an old-age pension of \$7 a week? Point to the language in the bill.

Mr. HATHWAY. You see, I have had about 25 years of experience in the working-class fight and I know from that experience that they never give me anything. If the bill provides for a maximum Federal appropriation of \$3.50 a week or, I think, \$15 a month, to be matched dollar for dollar by the State, the States are not, out of the kindness of their hearts, going to add very many dollars to it.

Mr. VINSON. You say you do not favor employment reserves. Did I understand you correctly?

Mr. HATHWAY. That is correct.

Mr. VINSON. By that you are referring to the private reserves that may be set up under the bill?

Mr. HATHWAY. I am referring to the whole theory that has developed in the United States during the recent period, that is embodied in the Wisconsin law and is now being brought forward by all of the various Commissions in the various States, and by the Federal Commission, that is the Commission appointed by Roosevelt, as the basis for insurance in the United States.

Mr. VINSON. As I understand you, employment reserves, as used by you, would mean any reserves which might be set up in the Federal Government under unemployment insurance?

Mr. HATHWAY. No, no. I am referring to a very definite theory that has already been worked out and which is embodied in the Wisconsin act.

Mr. VINSON. Employment reserves, as used by you, refers to employment reserves set up under the Wisconsin law?

Mr. HATHWAY. Yes.

Mr. VINSON. I understood you to say that you opposed the Wagner bill in toto?

Mr. HATHWAY. Correct.

Mr. VINSON. I take it that that means that you oppose H. R. 4120, the companion bill in the House, in toto? And I understand from that statement that you are opposed to any Federal contribution toward maternal and child health.

Mr. HATHWAY. On the contrary. In the workers' bill, H. R. 2827, we include a complete system of social insurance that cares for unemployment, for old age, for sickness, for maternity, and all other forms of social security.

Mr. VINSON. Then I do not understand that you oppose an appropriation in this bill for maternal and child health?

Mr. HATHWAY. We counterpose to this our bill with the appropriations as provided by us.

Mr. VINSON. Have you any objection to the provisions in title VII, which refers to maternal and child health?

Mr. HATHWAY. It is not a question of the specific—

Mr. VINSON. Please say whether you do or not.

Mr. HATHWAY. It is not a question of a specific sentence. If you ask me whether I am in favor of caring for the old, or for the sick, and so forth, most assuredly I am. But I am opposed to the specific bills that are brought forward, and I counterpose to them a very definite bill that is now before Congress.

Mr. VINSON. You say you oppose this bill under consideration in toto. Does that mean that you oppose Federal contribution to the aid of crippled children?

Mr. HATHWAY. My dear friend, I have already explained very clearly exactly what I meant. I proposed the adoption of H. R. 2827, which includes all of the cases that are provided for in this bill, but provides for them in a better way, a more thorough way for the workers, and places the responsibility for providing the funds directly on the class that can afford to pay it.

Mr. VINSON. Is there anything in the Lundeen bill that refers to any Federal contribution for crippled children or public health?

Mr. HATHWAY. This bill, as I stated, includes all aspects of certain welfare, of certain needs.

Mr. VINSON. You say it includes crippled children and public health?

Mr. HATHWAY. Yes; if you think there are deficiencies in the bill in that respect, we invite your support and such amendments as will include it.

Mr. McCORMACK. Mr. Hathway, you said that there are a large number of workers who, by reason of economic conditions, are compelled to go from State to State and might lose the advantages of the settlement clause. That impresses me very much, in view of what the previous witness has said. I was looking at it from a broader field than that. I rather visualized a situation where it might affect a large number of persons.

Under the State plans, where it is distinctly a State plan such as we have now in some States, that can be controlled within the cities and towns by simply going back to the last city or town where there was a settlement. I know up in Massachusetts, if a man lives in Boston for 20 years and then moves to Worcester and lives there for 2 years, he is not entitled to benefits in Worcester, but they trace it right back to Boston, where he gets the settlement, where he would get his old-age pension or his welfare relief. But that would be rather difficult in the case of States, it seems to me.

Can you give us any idea as to the number that might be involved or affected unless some such provisions were included in some law?

Mr. HATHWAY. It is not possible for me offhand to give numbers; that is, any approximate number.

Mr. McCORMACK. It is your opinion it would be an appreciable amount?

Mr. HATHWAY. A very large amount. I can state from my own experience, having worked in American factories for a large number of years, that I moved from Toledo to Detroit, to Minneapolis, to New Jersey, and so forth, in pursuit of my trade as a machinist and in search of work.

Mr. McCORMACK. And every time you move from one place to another you thought you had what would be, probably, permanent work?

Mr. HATHWAY. Yes.

Mr. McCORMACK. You then divested yourself of your residence in the other States?

Mr. HATHWAY. In each case moving furniture, family, and so forth, with me.

Mr. McCORMACK. The intent is inferred from the acts.

Mr. HATHWAY. Then a seasonal drop takes place in industry, layoffs take place, and then you seek work in another branch of the metal trades, in auto today, steel tomorrow, railroad the next day, and so forth.

Mr. McCORMACK. Is it your opinion that there would be an appreciable number of those who otherwise would be affected and receive the benefits of this legislation?

Mr. HATHWAY. It would affect hundreds of thousands of workers every year.

Mr. COOPER (presiding). We thank you for your appearance and the information you have given the committee.

STATEMENT OF SHERWOOD L. REEDER, REPRESENTING THE UNITED STATES CONFERENCE OF MAYORS

Mr. REEDER. Mr. Chairman and gentlemen of the committee, my name is Sherwood Reeder, 734 Jackson Place, Washington, D. C. I am assistant director of the United States Conference of Mayors and of the American Municipal Association. I am speaking for the executive committee of the United States Conference of Mayors, consisting of Mayors Hoan, of Milwaukee; LaGuardia, of New York City; Rossi, of San Francisco; Mansfield, of Boston; Jackson, of Baltimore; Holcombe, of Houston; and Overton, of Memphis. I am also appearing on behalf of the committee on Federal policy of the American Municipal Association, which committee is authorized to express its viewpoints on behalf of 32 State leagues of municipalities throughout the country.

I shall speak briefly and solely with reference to one minor matter, with the purpose of asking the committee to make specific what the President's Committee on Economic Security and the drafters of this measure undoubtedly intended to be specific, but which, as now drafted, is general in phraseology and could possibly lead to confusion.

We ask the committee to insert the word "government" after the word "State" in line 6, page 3, of the House bill. This is subsection (a) of section 4 of title I, the title having to do with old-age assistance.

Through informal conferences with members of the research staff of the President's Committee on Economic Security, we understand that the intent of the old-age-assistance plan is for substantial financial contributions by the State governments. However, as now drafted, this is not specifically stated; and we feel, on the basis of past experience, that to insure fair and just financial participation by the States, the word "government" should be inserted. If this is not done, there is the possibility of States shifting the whole State financial burden to the local governments. This is exactly what has been done under the Federal Relief Act, which is similarly worded. In Massachusetts, for example, the State has for the past 3 years shifted the whole relief burden to cities, with the result that only Federal and city funds are being used to meet the relief needs of that jurisdiction. We are hopeful that you do not leave any loopholes which, either through too general phraseology or discretionary action by Federal authorities, States may be enabled to "pass the buck" to those units of government which are dependent almost entirely upon revenues from the general property tax and are therefore least able to bear this additional burden.

I feel sure that—in view of the apparent intent of the plan—the Economic Security Committee would support this minor change.

I thank you.

Mr. LEWIS. It is already true in some States, I know from experience in Maryland, permissive pension acts have been passed authorizing the counties to put in an old-age pension in Maryland of a maximum of a dollar a day. When the proposal was made to all the county commissioners, they just fell off their stools at the thought of the size of the increase in the levy that they would have to make in the next county budget. Is it your suggestion that under this bill the State might continue that line of treatment of the subject?

Mr. REEDER. I think they might well continue that in the State of Maryland and in other States which adopted such acts, imposing such financial burdens on the local governments, the counties, the townships, and the cities, which receive their principal revenues from taxes on real property only. They have no other sources. The State has adequate sources outside. I believe it was the intention of the committee, as I tried to point out, to convey that the responsibility should be the responsibility of the State government and not of its political subdivisions.

Mr. LEWIS. As a practical fact, though, in the entire theory of the bill, is it not the thought that it is a question for the State to decide whether it is to have old-age pensions or not?

Mr. REEDER. Quite correct.

Mr. LEWIS. They might then take the device of shifting the whole burden to the counties, and not in effect grant old-age pensions, because many might not meet the burden; or they might simply refuse to pass any legislation at all. To gratify your thought in the matter, this would mean that Congress by some instrumentality would have to compel the States in each instance to adopt old-age-pension acts, would it not?

Mr. REEDER. I do not believe so, Mr. Lewis. I do not believe that is going to change the intent and purpose of the bill or its practical application, except to make more specific what the Committee on Economic Security, we believe, intended—that it should be a State government contribution and not necessarily from the local subdivisions. As a practical matter, we are all interested and hopeful something will be done regarding this bill, but I feel that it would be an undue burden, and we are convinced that it would be an undue burden and a burden which local communities could not support.

In the relief bill a similar wording was provided. Some States manfully shouldered the financial responsibility—New York State and some of the others. In other jurisdictions, in Massachusetts, as I pointed out, the State government has not given anything for relief; and the local governments, with their only principal source of income the real-property tax, have had to shoulder the whole burden.

Now we are facing a national campaign fostered by the National Real Estate Board, placing a limitation upon the amount of taxation that may be levied on real property, which further restricts the revenues to local communities. A municipality or county cannot impose a sales tax effectively, or a gasoline tax, or an income tax, but the State can. In other words, it has many more sources of income to take care of its other responsibilities than the other com-

munities have. It is not that the local community wants to shift the responsibility, but they are simply not able to take care of it.

Mr. VINSON. What you want to do is close the door to any participation by municipalities.

Mr. REEDER. I do not know that this would close the door. I think it would indicate more definitely what the Committee intended—that the State government should assume responsibility. It is feasible that a plan might be worked out where a small contribution in some cases would be made by the local communities.

Mr. VINSON. If this is in the law, as you suggest, the State when it submitted its plan to the Federal Government could not provide any provisions of law whereby contributions might be made by any municipality, however anxious certain municipalities in certain States might be to participate.

Mr. REEDER. That would not be my interpretation of it. I think it has been pointed out on numerous occasions by members of the committee that any State that wants to go further than the provisions of this bill is permitted to do so. This would say that substantial contributions must be made and should be made by the State government. That does not preclude any other, as I understand it.

Mr. VINSON. Let us read the bill and put your amendment in. As I understand it, you want to put the word "government" after the word "State" in line 6 on page 5.

Mr. REEDER. On page 3, sir; that is right.

Mr. VINSON. That is in subsection (a) of section 4.

Mr. REEDER. Correct.

Mr. VINSON. Section 4 reads as follows:

"A State plan for old-age assistance offered by the State authority for approval shall be approved by the administrator only if such plan—

"(a) is State-wide, includes substantial financial participation by the State"—with your amendment—"government."

Mr. REEDER. That is right.

Mr. VINSON. If your amendment means anything at all, and if it is going to be any benefit to the municipalities whom you represent, it seems to me that you are closing the door to municipalities in the participation in this fund.

Mr. REEDER. As a practical matter they are going to have a pretty difficult time doing it.

Mr. VINSON. I am talking about the law. If you have anything to say on that I would like to hear you.

Mr. REEDER. My interpretation would not be to that effect.

Mr. VINSON. What benefit then would your municipalities, whom you represent, get from this amendment if it does not have that effect?

Mr. REEDER. The amendment, as I understand it, has this possible effect, to insure that the State government would make a substantial contribution, but it does not preclude contributions by any other unit. But a substantial portion must be assumed by the State government. We can picture without that amendment where the State would make a substantial contribution, but the State government might not put a cent into it. It might all come, or they might attempt to gather it all from the local governments. I do not think that that narrows it down, Mr. Vinson, as I understand it. We think as many more sources of revenue and as many more levels of

government should contribute to it as are feasible. Do I understand your point?

Mr. McCORMACK. May I ask this question:

Do you not think that the cities and towns of the various States might be able to develop sufficient public opinion to demand that the legislatures of the several States assume the responsibility that you claim they should assume?

Mr. REEDER. That has been what the municipalities and local units of government have attempted to do in many jurisdictions in regard to relief, and they have not been very successful in that. The point is, as we see it, that it is the real intention and it was in the relief bill that the State governments should assume this responsibility. I believe that if any of you care to check with Mr. Whitte's committee, you will find that that was their intention. When we asked them about it, they said, "Certainly, that is what we mean." "Why do you not put it in?" "Oh, it will be understood." But experience shows that it is not understood or interpreted that way. That is the reason we feel justified in presenting this point of view to you, in the hope that you will see it that way. Maybe you do not interpret it that way.

Mr. HILL. What effect results from adding the word "government" to "State"?

Mr. REEDER. Simply in practically working out the understanding of the term "state", it means the State and all its political subdivisions, where "State government" means the State of Pennsylvania alone, for instance, and not its political subdivisions.

Mr. VINSON. Of course, you realize that there is going to be a considerable burden on the State to raise the funds.

Mr. REEDER. Correct.

Mr. VINSON. I just can hardly conceive of a thought that would bar the door to participation by the municipalities. You might cause the breaking down of the law, because there are many States where the heaviest burden would be in the cities.

Mr. REEDER. That is true. Most of it, probably.

Mr. VINSON. Certainly. It is nothing but fair for them to participate in this responsibility.

Mr. REEDER. Of course, when it comes to that, it is the citizens of every community within a State who contribute to any funds that the State may raise, the same as all of us contribute to the funds that the Federal Government is able to raise. But it is a matter of practical consideration that there are many sources of revenue available to State governments that are not available to local governments.

Mr. VINSON. They will have that under this language. The State government will have all the opportunity to use its taxing power. It is going to weigh heavily upon the States. There is no misunderstanding about that. They will have it under the language here just the same as if you were including the word "government." I think you will agree with that.

Mr. REEDER. If we did not have the experience of the relief act behind us, I would be much more willing to accept that interpretation, but we have had it, and with the result that the local communities where States have refused to accept any of the burden have had a back-breaking burden. They have cut their services and every other function of municipal government in order to take care of the

relief load. Here is an additional responsibility for them, and they have no available sources of revenue today.

Mr. LEWIS. I think this is the time to develop another circumstance.

We know human nature because we know ourselves. There is going to be a tendency among a percentage of those who will come under the operation of the act to make excessive demands or to make demands that they need not make at all. It has been my though—not a conclusion, but my feeling—that the local government and the boards of county commissioners ought to be under some direct official motive, pressure, if you please, from the taxpayers in that county upon whom they levy, to resist such false or excessive claims. In order that that protective motive should be brought to the defense of that fund, is it not necessary that some of the burden be put on the counties?

Let me add, however, another statement:

I freely grant that our system of State taxation levies on real estate has broken down so far as justice is concerned. If it were not for the consideration I have just presented, it would be my thought that not only the Federal proportion of this fund, but the State proportion of this fund should be gotten from income and inheritance taxation. The rates in the United States are just simply ridiculous, either when considered in comparison with the rates in other civilized countries like our own or considered in relation to the tremendous benefits we secure from civilization and, so far as we are income-tax payers, are unwilling to make any compensation for at all.

To make the thing direct and concrete, I want to make just one following statement:

The tax imposed upon me as a Member of Congress under our income-tax system is ridiculous, and ought to be at least from 5 to 8 times as great as it is, considering my relation to society, to government, and particularly my duties to the great civilization to which government is necessary if we are to maintain it.

Mr. REEDER. Those sources of revenue which you mention are available, of course, only to the States or the Federal Government, as a practical matter of imposing them.

Mr. LEWIS. That is correct.

Mr. REEDER. That is the reason why we urge this consideration, because in the administration's relief act, which is similarly worded, we found that the States have in many cases refused to accept their responsibility and have placed all of the burden on the local community. They may do that again.

Mr. DUNCAN. Mr. Reeder, as I get your thought, you are afraid that if the present language is not changed, the State will shift the responsibility for the collection of money with which to pay the old-age pension to the various counties of the State.

Mr. REEDER. Counties, municipalities, townships, and so forth.

Mr. DUNCAN. And if the taxes of that particular county are not sufficient to raise the money, then there would be no money with which to meet the obligation.

Mr. REEDER. That is correct.

Mr. DUNCAN. And that the State should be the sole taxing power for the raising of the money with which to meet the State's obligation.

Mr. REEDER. I think that as a practical matter it should be that way, but I do not contend, as Mr. Vinson, of Kentucky has, that by placing this amendment in there it would restrict the raising of revenue to State governments. I think that it is possible that they might work out a plan where the State would make, as provided in the law, a substantial contribution, and then, if they had other sources of taxation that they could raise from the local communities, and they decided that that was the best way, I do not see that there is anything in the proposed bill that would prevent doing that.

Mr. DUNCAN. I agree with your theory to the extent that the State government ought to be solely responsible to the Federal Government in matching funds.

Mr. REEDER. I think that was clearly the intent of the committee. From our informal discussion with members of the research committee, I believe that was clearly their intention, and it was in drafting the relief bill, but did not work out that way.

Mr. COOPER (presiding). We thank you for your appearance and the information given the committee.

Mr. McGervey, of Pittsburgh, Pa., is present and requests that he be heard. Is there objection to this witness, who does not appear on the calendar, being allowed 5 minutes at this time? If not, you may proceed for 5 minutes.

STATEMENT OF WILLIAM P. MCGERVEY

Mr. MCGERVEY. Mr. Chairman and gentlemen, I became interested in this matter through my observations, and I recognize that if this matter could be a strictly national affair, it would be the simply way to do it. I prepared this pamphlet and circularized every Senator, Congressman, the Secretary of Labor, President of the United States, and have addressed it also to 48 governors of the States, so that I could try to crystallize their thoughts in the matter.

This is my contribution to the problem. The reason I became interested in this is I saw a lot of stuff in the paper, and the people were talking all around the question. I could not recognize that anyone was talking on it. Here is what I say:

Individuals, partnerships, and corporations engaged in business charge as an item of the cost of doing business depreciation and obsolescence of investments in capital assets, except land. The percentage is based upon the probable life of the asset. The amount of these charges are credited to a reserve account. When 100 percent has been charged off, the reserve set-up enables, if necessary, replacement of that capital asset without requiring new capital. The existence of depreciation and obsolescence is, therefore, recognized and a method provided to overcome that condition.

Notwithstanding the Constitution of the United States guarantees to each of its citizens the right to life, liberty, and the pursuit of happiness, no provision has been made therefor as in the case of business investments in capital assets.

It is inequitable for an employer, while protecting his investment in buildings, machinery, fixtures, etc., by charging as an item of the cost of doing business, an amount for depreciation and obsolescence, to not provide for his employees' sustenance during a period of enforced idleness and a pension upon being retired.

Workmen's compensation is comparatively new. Its abolishment at this time would not be considered, yet it was a long time in the making. The amount of this compensation with certain attendant expenses is included as an item of the cost of doing business. It is as equitable for the employee to receive some compensation during a period of enforced idleness because of a business depression, or old age, as it is to be compensated for enforced unemployment during a period of physical disability, or to include depreciation and obsolescence of capital assets as an item of the cost of doing business.

At first blush this may appear radical, but after mature consideration the analogy will be recognized. After adoption and operation, like workmen's compensation, discontinuance would not be considered.

Their need: It is within the memory of many when we had the 12-hour day and the 7-day week. Labor organizations and machinery have been important factors in changing this to the 8-hour day and the 5-day week.

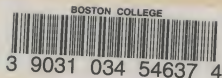
Conversely, during the foregoing transition, the school period, usually terminating upon completion of the eighth grade, has been extended to include a 4-year high-school course, and frequently continued to a college course of 4 to 6 years. Notwithstanding this delay in the entry of many as wage earners, upon completion of a college training they are unable to find employment. Partial relief from this condition will arise through employers who previously fixed retirement age at 70 reducing it to age 65. Sad to contemplate, but many good men out of a job at 35 are out of luck. Something permanent must be done at once to abolish the necessity of welfare relief.

How shall it be done? A relatively few employers provide for a pension upon retirement at a fixed age; probably no two are exactly alike. Employees are changing their employment. Employers quit business, consolidate, or for some other cause cease to exist. Insurance by employers should, therefore, be terminated.

Some States may provide pensions for the indigent aged. It is inadvisable for more than one agency to do the same work, not only because of increased cost of so doing but also to avoid the possibility of duplication.

In view of the flotation of not only individuals but also industries from one State to another, even though every State had the same unemployment insurance and old-age pension laws, the possibility exists that during normal times one State might collect premiums for such and accumulate a large fund. Later another State, during a period of depression, might have to disburse abnormal amounts therefor.

A glaring instance is removal of the textile industry from the New England States to Southern States. If the New England States had unemployment insurance and old-age pensions prior to removal of the textile industries, the New England States would have accumulated a large fund from which the industry would not benefit after removal therefrom. If the Southern States had unemployment insurance and old-age pensions, when the textile industries removed thereto, upon being "hit" by the depression a relatively short time afterward, the Southern States would be impoverished through payment of the benefits promised, because the New England States collected therefor. This condition must be averted. The problem can



be solved permanently by the Federal Government administering unemployment insurance and pensions upon enforced retirement.

In the words of ex-President Grover Cleveland, "It is not a theory but a condition that confronts us." The customer should pay; in the past he has been escaping this item of cost. The question is, should there be such a law? I say yes.

Certain employment abuses exist that must be regulated, insofar as possible, to lessen the need of unemployment insurance.

Continuing to work through several generations: A man died here in Washington a short time ago who was 90 years of age, and had been in the employ of the Government—and college graduates cannot get jobs.

The husband and wife being employed.

The man retired from public or private life on a pension and securing employment.

The man having several employers if the average totals greater than an ordinary day.

An instance as to the first: January 2 a man died in Pittsburgh, aged 78. He had retired 3 years previous from a lucrative position with Allegheny County, after 15 years' employment. It ought to be possible to require retirement of public employees when eligible to old-age pensions. If employment is continued during public or private life after eligibility for an old-age pension, the individual should be taxed during the first 5 years 25 percent; during the next 5 years, 35 percent; thereafter, 50 percent, the employer to collect the tax and be liable therefor. If the retirement age is fixed at 60, the tax would be 60 to 64, 25 percent; 65 to 69, 35 percent; each inclusive; 70 and over, 50 percent.

In the case of husband and wife being employed: Occasionally a wife might be able to command a greater salary than the husband. Allow them to decide which salary is to be taxed without privilege of changing; the tax to be 25 percent until retirement age.

In the case of the individual retired on a pension; the tax to be at least 25 percent.

In the case of an individual having several employers. He can select a number where his total service will not exceed an ordinary day's work and be taxed on the others.

The purpose of unemployment insurance and old-age pensions being a guarantee of security for all, an individual whose earnings are subject to tax must not be permitted to waive the right of old-age pension in consideration of the tax being waived—the reason is obvious.

Hew to the line, let the chips fall where they may.

Right wrongs no one.

Mr. COOPER (presiding). Your time has expired. We thank you for your presence and the information you have given.

Mr. MCGERVEY. May I send a brief on this or shall I just leave this?

Mr. COOPER. You have the right to extend your remarks in the record if you desire.

The committee will take a recess until 10 o'clock Monday morning.

(Whereupon at 11:30 a. m., a recess was taken until Monday, Feb. 4, 1935, at 10 a. m.)